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Senate Passes Renew Michigan Plan; Adds Another Piece to Economic Recovery Puzzle

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Plan calls for reduced business taxes and restraint in government spending growth

Lansing - Sending a clear signal that lower business taxes and restraint in government spending growth are key to getting Michigan's economy back on track, the state Senate today passed the Renew Michigan plan.

Renew Michigan calls for cutting business taxes by at least \$1 billion during the next six years, starting with a \$100 million reduction in 2006. It also restrains government spending growth to the rate of inflation plus 1 percent. In addition, the plan sets the stage for an additional \$1.4 billion in business-tax cuts and automatic deposits in the state's "rainy day fund."

"It's very clear that if we are going to bring Michigan out of this economic slump we have to take action," said Senate Majority Leader Ken Sikkema, R-Wyoming. "The biggest risk of all is to just sit here and watch this state hemorrhage jobs as employers look elsewhere to invest."

Sikkema noted that if the Renew Michigan plan had been in place in the mid-1990s, it would have triggered \$850 million in additional business-tax cuts and \$450 million in deposits to the state's rainy day fund.

"The national economy is growing and the national unemployment figures are falling, but in Michigan we are seeing the exact opposite," said Sen. Nancy Cassis, R-Novi, who chairs the Senate Finance Committee. "This plan is just the first step in many changes we need to make to improve Michigan's business climate, but it's a tremendously important first step. This is not a shift and shaft, this is not some revenue-neutral scheme - it's real, honest tax relief and a message to job providers that Michigan is open for business."

Sikkema and Cassis agreed that the restraint on state government spending growth is a key component of using tax cuts to stimulate the economy.

"Tax cuts must be paid for in some way and the most sensible solution is to restrain the growth of state government," Sikkema said. "Michigan's families understand that when you are facing economic challenges you have to rein in spending. This is a reasonable proposal that allows for modest growth. It's not hard to figure out Michigan simply can't afford any more than that right now."